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Comprehensive Tariff Review

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Report Highlights:

On February 8, 2010, the Philippine Tariff Commission commenced the week-long public consultations/hearings for the Philippine Tariff and Customs Code for 2011-2015 to replace Executive Order (EO) No. 574 which ends this year. All firms and industry groups are advised by the Commission to submit position papers within two weeks after their products are taken up in hearings or until February 19, 2010.

General Information:

On February 8, 2010, the Philippine Tariff Commission commenced the week-long public consultations/hearings for the Philippine Tariff and Customs Code for 2011-2015 to replace Executive

Order (EO) No. 574 which ends this year. The Tariff and Customs Code of the Philippines sets forth the Most Favored Nation tariff for all products entering the Philippines outside of trade agreements, including U.S. goods and products.

The following rough criteria would be used by the Tariff Commission for deciding on tariff adjustments:

- impact on local production
- impact on employment
- impact on state revenues

All firms and industry groups are likewise advised by the Commission to submit position papers within two weeks after their products are taken up in hearings or until February 19, 2010 for all food and agricultural products under Chapters 1-24. The Commission is expected to submit their recommendations to the Inter-Agency Committee on Tariff and Related Matters by April or May of this year.

The last Tariff Review was held in 2006, where 96 percent of all tariff lines were maintained. About 9,000 tariff lines are up for review this year with nearly two-thirds of these with duties at 0 to 5 percent. In 2009, the average nominal tariff was 7.07 percent while agricultural tariff was at 11.94 percent.

AVERAGE NOMINAL TARIFFS BY SECTOR: 1970-2009

YEAR	AGRICULTURE	MINING	MANUFACTURING	AVERAGE TARIFF (%)
2000	14.40	3.27	6.90	7.96
2001	14.20	3.25	6.68	7.70
2002	12.18	2.84	5.04	6.03
2003	11.04	2.84	5.43	6.19
2004	11.85	2.47	6.94	7.51
2005	11.85	2.47	7.29	7.81
2006	11.85	2.47	7.26	7.77
2007	11.82	2.47	7.32	7.82
2008	11.95	2.47	6.08	6.95
2009	11.94	2.35	6.24	7.07

Source: Philippine Tariff Commission

Background:

The Association of Southeast Asian Nation (ASEAN) established in 1967 has been leading regional integration in Asia. There are ten (10) ASEAN member countries. The six original members are Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The other members are Vietnam (1995), Laos and Myanmar (1997), and Cambodia (1999). The ASEAN Free Trade Agreement (AFTA) was initiated in 1993 to create an integrated market among ASEAN members and eliminate all import duties by 2010 for the six original members and by 2015 for the other members.

Through EO 850 issued in December 2009, the Philippines reduced duties to between 0 and 5 percent on all remaining products under AFTA, effective January 2010. Moreover, in June 2009, the Office of the President issued Executive Orders Nos. 812 and 814 implements tariff reductions under the ASEAN-Korea (AKFTA), ASEAN-China (ACFTA) Free Trade Agreements. EO 851 was also issued in December 2009 implementing tariff commitments under the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) starting this year. These tariff reductions are expected to put some U.S. food and agricultural products exports to the Philippines at a disadvantage.

Below are examples of the preferential tariff rates enjoyed under the AFTA, ACFTA and AANZFTA vs. MFN rates for selected agricultural exports:

	AANZFTA	MFN
Wheat	0% (2010)	3%
Wheat Flour	0% (2011)	7%
Milk Powder (NFD & WMP)	0% (2010)	1%
Cheese	0% (2010)	7%
Buttermilk	0% (2010)	7%
Apples	0% (2011)	7%
Grapes	0% (2011)	7%
Cherries	0% (2011)	7%
Beef	0% (2012)	10%
Live Cattle	0% (2012)	10%
French Fries	0% (2012)	10%
Turkey	0% (2013)	30-35%
Wine	0% (2015)	7%
Butter	0% (2019)	7%
Beef Offal	0% (2019)	7%

Source: EO 851 and EO 574

	AFTA 2010	MFN
Corn	5%	30-50%
Pork	5%	30-40%
Poultry	5%	40%+SSG
French Fries	5%	10%
Packaged Foods	0-5%	3-15%

Source: EO 574 and EO 850

	ACFTA 2010	MFN
Apples	0%	7%
Grapes	0%	7%
Processed Meats	0%	35-45%

Source: EO 814 and EO 574